

TENNESSEE GENERAL ASSEMBLY
FISCAL REVIEW COMMITTEE



FISCAL MEMORANDUM

SB 3197 – HB 3771

March 30, 2010

SUMMARY OF AMENDMENTS (015711, 016087): Deletes the language of the original bill. Establishes a one-year financial literacy and counseling pilot program to be administered by the Department of Financial Institutions to be operated in the five counties with the highest mortgage foreclosure rates as of the effective date of this bill. Requires mortgage bankers/brokers who issue mortgage loans to consumers within one of the five counties to recommend that the consumer participate in the pilot program if the origination fees are greater than five percent. The mortgage banker/broker is also required to notify the consumer that the mortgage loan may have attributes that are predatory. The Department of Financial Institutions shall report the findings and recommendations for statewide implementation of the pilot program to the General Assembly by January 15, 2012.

FISCAL IMPACT OF ORIGINAL BILL:

MINIMAL

FISCAL IMPACT OF BILL WITH PROPOSED AMENDMENTS:

Increase State Expenditures – Exceeds \$100,000/One-Time

Assumptions applied to amendments:

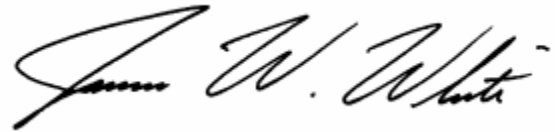
- Establishes a one-year financial literacy and counseling pilot program to be administered by the Department of Financial Institutions in five counties.
- The Department of Financial Institutions will provide education, advice, and counseling to consumers/borrowers who are recommended for and request such counseling.
- The Department of Financial Institutions is required to determine the five counties with the highest mortgage foreclosure rates; however, according to the Department, the amendment is unclear as to what source should be used in making this determination.
- This estimate assumes that the financial literacy and counseling program would apply to state banks, credit unions, industrial loan and thrift companies, and mortgage lenders as well as mortgage lending subsidiaries of state chartered banks and state chartered credit unions.
- The fiscal impact is based on several unknown factors, including which five counties would be affected; how many loans would exceed the five percent benchmark; or how

many consumers would request and be provided the recommended education and counseling.

- The establishment and implementation of the pilot program is estimated to result in an increase in state expenditures of an amount exceeding \$100,000 for additional personnel or consultants to provide the required mortgage counseling to certain consumers.
- According to the Department, temporary staff would not have the expertise to provide such mortgage counseling required by the amendment.

CERTIFICATION:

This is to duly certify that the information contained herein is true and correct to the best of my knowledge.

A handwritten signature in black ink, appearing to read "James W. White". The signature is fluid and cursive, with the first name "James" written in a larger, more prominent script than the last name "White".

James W. White, Executive Director

/rct